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THE LANDSCHAFT

Co-operative Rural Credit.

COMMENTS ON SUNDRY RURAL CREDIT SYSTEMS FOR ADOPTION

BY

DAVID LUBIN

The Merits of the Landschaft System.

PREFACE.

In the following pages statements and arguments are set forth, favoring the adoption of the Landschaft system of rural credit in the United States.

The presentation is mainly in the form of correspondence. It offers criticisms on certain proposed plans, and on the measure introduced in Congress by Senator Fletcher (Senate Bill, S. 2909).

In the opinion of the writer the only systems of rural credit worthy of serious consideration are :

First - those that would be of economic advantage to the borrower, the lender, and the public at large ;

Second - those that can be so safeguarded as to require no bolstering up by guarantees ;

Third - those that are so simple that the routine duties could be performed by the average farmer ;

Fourth - those in which unintentional or intentional departures from the prescribed routine could be so readily detected and counteracted as to render loss from such causes practically impossible ;

Fifth - those that could be put in operation without class legislation, without funds from government, and without government guarantee.

As may be seen from the following pages, the writer is of the opinion that these five requirements can be met by the Landschaft system.

Rural credit schemes are advocated on the ground of the economic benefits they would confer on the borrower, the farmer ; but the Landschaft system of rural credits would also benefit an equally important body of people, viz. the widows and orphans of the land. The security offered under the Landschaft system would be so good and in so liquid a form, that the price of the bonds would be too high and the interest on them too low for the purposes of professional money-lenders ; these bonds would, however, be eagerly sought after by those investors who cannot afford to speculate, who do not wish to speculate. And that class of investors largely consists of those who have the funds of widows and orphans to loan out, and it is they who would purchase the Landschaft bonds in the United States, as they do in Germany under this system.

« But », say some, « a financial system suited to Europeans may not be suited to Americans. »

This conclusion would seem prompted either by a desire to prevent the operation of the system in the United States, or by some false inference, as, for instance, that because some Hollanders wear wooden shoes, and some Frenchmen eat horse-flesh, which things are not done in America, therefore financial laws operate differently in Europe to what they do in the United States. That such an inference is groundless will be evident if we bear in mind that just as the value of the staples of agriculture is governed by the world's price for the same, so the relative value of recognised securities in liquid form is the same the world over. Therefore it follows that if the Landschaft bonds be rendered as secure and if they be placed in the same liquid form in the United States as in Germany, they will sell at as high a price and at as low a rate of interest in the United States as in Germany.

Another important point: the modifications suggested on pages 21 and 22 would, it is believed, make it possible to so adapt the Landschaft system as to permit of its affording, in addition to a) long-time credit, also b) short time credit, and c) open account credit.

If this be so, then the Landschaft system of rural credit would seem to be the most practical for adoption in the United States. This publication is therefore issued in the hope that the Landschaft system will receive the attention its importance deserves, and if the statements herein set forth are found to be in accordance with facts, it may then be assumed that measures will be placed before Congress for its introduction in the United States.

THE GRANGER AND THE BANKER

LETTER TO MR. C. B. KEGLEY, MASTER OF THE WASHINGTON STATE GRANGE
PALOUSE, WASH.

Dear Sir and Worthy Master :

I have just read your pertinent and forcible remarks in favor of rural credit. Substantially your stand is the same today as it was last November when you successfully urged the National Grange to endorse the American Commission for enquiring into this matter. I am enclined, however, to take issues with you as to the form of your presentation. It seems to me there is altogether too much innuendo in such statements as " these well-fed bankers..... The picking is entirely too good for them..... Paying tribute for the use of your money "..... etc., etc.

In this, of course, you are orthodox from a Grange point of view, as may be seen from any average piece of Grange literature. The Grange and the Grangers are said to be " nature's noblemen ", in contradistinction to the bankers who are denominated hogs, vampires, the devil's own. All of which reminds me of a story.

Previous to an election in the early eighties, in California, I was delivering a campaign speech for a candidate at Auburn. About midway in the speech a man interrupted with the question: " Is the candidate an A. P. A. ? " I replied that I did not know, and proceeded. Shortly thereafter another arose and demanded to know whether I was an A. P. A., saying that Auburn must have that question answered as it wanted no Irish influence exerted, in that part of the country. Continuing the inter-

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ruption the speaker shouted "The Irish are running everything; they are our policemen, they are running themselves in as our supervisors, as our mayors, as our judges, as our bosses and we want no more of that. Now, Sir; before you proceed you just tell us plainly whether you are an A. P. A., or whether you are not."

I then told him that I was not an A. P. A. and that I did not purpose to become an A. P. A.; that it was shameful for an American citizen to be an A. P. A.; that if the Irish were to the front from policeman to judge, from office-holder to boss, it was to the glory of the Irish and to the shame of those who were not Irish. It showed that the Irish were zealous and active in their political duties, and that those who complained, being in the majority, were the derelicts; that it was unpatriotic and shameful neglect of duty on their part which left open to the Irish the political labors and emoluments appertaining thereto.

THE GRANGE TO THE FORE.

Some years ago we used to ask: "What's the matter with Hanna?" The time is now here when we should ask: What's the matter with the Grange? What's the matter with the National Grange? Does it expect that the banker will put on his apron and roll up his sleeves, and go to work to find a cooperative rural credit system for the American farmer? Is it not the duty of the farmer himself to find the cooperative rural credit system which may best serve his needs?

There was a time in economic history when there was a strict subdivision between the functions of farmer and banker; the farmer farmed and the banker financed. But from the end of the nineteenth and the beginning of the twentieth century a new economic situation has been evolved. The banker may still finance, but the farmer, though he must farm, must also do some financing; not to a very great extent, but to some extent, for, if he does not, the banker and his bank will run clean around him, and under him, and over him, and finance him into his vest pocket. The German farmers saw that, and so they took hold of their share of financing, and are doing it, and as a result there is not even a sign of an agricultural product trust in Germany, unless it be the trust of the farmers themselves.

You may remember that in was it 1903, the year before I went to Rome, the year before the Institute was founded, that I submitted the subject of co-operative rural credit to the Subordinate Granges, urging that it be taken up by the National Grange. Had the National Grange done so at that time it is safe to say that the rural credit system would have been in full operation by now. However, its recent strong endorsement of the movement for rural credits shows that the National Grange at least believes in the adage: "better late than never".

As you know, the Southern Commercial Congress (Southern Building, Washington, D. C.) took the lead in the cooperative credit movement in the United States. It must ever be to the honor of this association that it boldly took the initiative in this field. And now it is in order for the Na-

tional Grange to second this effort ; to shake off its somnolence and awaken to life, awaken to action. It should join hands with the Southern Commercial Congress and work with that organisation, hand in hand, and shoulder to shoulder. There is no time to be lost.

The keen interest awakened throughout the United States in the question of cooperative rural credits has, as you know, resulted in bringing to the front a large number of proposals. While it would be an economic advantage to adopt a practicable mode of cooperative rural credits, it will require the united wisdom of all the people to scrutinise with great care the large number of projects now being pressed forward for adoption, some of which are impracticable and dangerous. The time has therefore arrived for action, and the National Grange can no longer afford to stand idly by ; it can no longer afford to be "late". It must come to the front on this question or relegate itself definitely to the rear.

THE LANDWIRTSCHAFTSRAT SHOULD PRECEDE THE LANDSCHAFT.

A careful review of cooperative rural credit as in operation in Europe warrants the conclusion that the most practicable plan for adoption in the United States would be the Landschaft system. A bird's eye view of that system is given in Senate Document N^o 123 and in the Addenda hereto appended. I am sending you some extra copies of these and would be pleased to have you present the matter to the Grangers in your State and in neighbouring States so that the subject may be studied and discussed.

On a parallel line with this study, and, in fact, preceeding it, I would suggest that the Grange take up the question of the "Landwirtschaftsrat". Its adoption would be a material factor toward realising cooperative rural credit in the United States. You will find references to the Landwirtschaftsrat on page 12 of Senate Document 123 and page 16 of the Addenda.

Let me quote what the President of the "Landwirtschaftsrat", Dr. Dade of Berlin, told me on the subject :

"The German Empire is composed of 24 States. The largest of these is the Kingdom of Prussia, which is divided into 12 Provinces. Each of these provinces is required by Prussian law to elect a Chamber of Agriculture. The same system prevails in the other German States ; all have their Chambers of Agriculture instituted under law. Each of these Chambers of Agriculture sends one or more delegates, proportionate to its importance, to the German Landwirtschaftsrat, which thus becomes the official Council of Agriculture for the whole of the German Empire. The Landwirtschaftsrat acts as an official advisory Board, with right of criticism and initiative on all agricultural legislation affecting the whole of the German Empire..... You can see what power such a body can exercise if you will transfer it to the United States. Just imagine that in every state you had an organisation counting some 20.000 members, and these were all federated, and you had, sitting in Washington, at stated periods, the Council elected by these farmers of all the States to watch over their interests in matters of legislation".

The question was then asked :

Q. What would be the position of agriculture in Germany if you had no such organisation ?

A. We could do nothing ; we should have no influence either on home or foreign policy.

Q. Do you attribute the success of Germany as an agricultural country to the Landwirtschaftsrat ?

A. Yes; the Landwirtschaftsrat is one of the factors in this success. It has secured success from the legislative and political end.

Speaking on this subject, Baron Hermann von Schorn of Munich, member of the leading cooperative societies of Bavaria, said :

" The Imperial German Landwirtschaftsrat covers the whole of Germany ; it is the semi-official link connecting the official body, the Imperial Government, with the unofficial, with the people actually engaged in agriculture. It works from the top down and from the bottom up. "

I will now give the questions I asked and the replies obtained from the Secretary General of the similar institution for Austria, the Landwirtschaftsgesellschaft :

Q. Is your association an official, semi-official, or voluntary body ?

A. It is semi-official ; the government is in direct relation with it.

Q. Is it under law ?

A. Yes ; under national and provincial law ; it is required to assist the Government as an advisory body in its work for the promotion of agriculture.

Q. If I understand you rightly, your agricultural societies, from the central society down to the local and provincial societies, are connected with the central government ?

A. Yes ; there is close contact between the government and the agricultural societies.

Q. Have these societies only the right to act as advisory boards or have they also the right of initiative in matters of agricultural legislation ?

A. They have certain rights of initiative.

Q. If I have understood you rightly, the following comparison could then be made : agriculture in Austria is a body in which all the organs are connected with the central organ, the heart ; it is a body in which the circulation proceeds normally from the heart to the limbs and organs ; whereas agriculture in the United States seems to be a body in which there is no proper circulation from the heart to the individual limbs and organs, and from the limbs and organs to the heart.

A. Your comparison is correct, at least so far as Austrian agriculture is concerned.

It would seem to me that the first essential step for the National Grange to take should be towards the realisation of the Landwirtschaftsrat in the United States. It should back up Senator Duncan U. Fletcher in his efforts for its establishment as a national institution. What the Boards of Trade and Chambers of Agriculture are to the merchants and financiers of the United States, the Landwirtschaftsrat would be to the American farmers. Agriculture may be a powerful giant, but today this powerful giant, like Gulliver, is securely bound by the Liliputians, and helpless. With the Landwirtschaftsrat he would break his bonds and arise a militant giant among militant giants.

Yours fraternally,

DAVID LUBIN,

Delegate of the United States,

International Institute of Agriculture, Rome, Italy.

September 5th, 1913

TO THE GRANGE.

In this announcement I wish particularly to address myself to the Grange. I may be pardoned if, at the start, I make a short personal reference for the purpose of rendering clearer the end in view.

Briefly, then, I joined the Order in 1885 and under the influence of Grange principles I came to be an advocate of cooperative rural credit. My first pamphlet on that subject (10,000 copies) was published in 1903, a year before I came to Rome. As American delegate to the International Institute of Agriculture, I have had exceptional facilities for studying this question, as it forms one of the branches of the Institute's activities.

These studies only tended to confirm more strongly my belief that the adaptation and adoption in the United States of some form of the European cooperative rural credit systems would be likely to prove of great economic benefit to the American people.

Accordingly, from time to time, I published and circulated quite a number of pamphlets on the subject, distributing several hundred thousand copies throughout the United States, many in the form of "public documents", a goodly number of which went to the Grange.

The Grange was asked to take the initiative in this matter, but its unusual conservatism left the door open, in this instance, for the Southern Commercial Congress, which, with commendable foresight and indomitable energy, came to the fore and took the lead.

However, the Grange is now in a position to take up the second best place, that of « better late than never. ». In fact, it is no longer a question of choice, for now, when bills on the subject are pending in Congress and in the State Legislatures, if the Grange were to remain quiescent it would relegate itself into "innocuous desuetude" as an economic factor.

This pamphlet advocates the adoption of the « Landschaft System ». It is a reprint of opinions that were sent on at the request of the parties concerned, and it occurs to me that they would be likely to serve a still more useful purpose if made generally public. An endeavor has been made to present the subject as clearly as possible, avoiding the use of technical terms so that it may be understood by any average man or woman.

If the Grange has any doubts as to the validity of the arguments or the soundness of the conclusions herein set forth, I would ask that it submit the same to American and European experts on rural credit of recognised standing.

It will be seen that I do not claim to have invented the plan which I advocate. It was first proposed by Büding of Germany, some hundred and fifty years ago, and put into operation through a decree of Frederick the Great, and is in operation at the present time.

In my opinion, the Landschaft, with but few modifications, will be the safest and best rural credit system for the American farmers. I am furthermore of the opinion that some of the measures now pending in Congress and in the State Legislatures are impracticable and dangerous.

The question of rural credit, so far as the United States is concerned, is no mere farmer question; it concerns the welfare of all the people and is worthy of the serious consideration of all intelligent men and women.

The time for action is here; there is no time to be lost by those who desire to study the matter so as to be able to form intelligent opinions on the subject, or exert proper influence in directing the movement.

Fraternally,

DAVID LUBIN

Some extra copies of this booklet have been sent to the Master and Secretary of your Grange. If more are wanted I shall be pleased to send them until the edition is exhausted.

THE LANDSCHAFT SYSTEM

Letter from David Lubin to Senator Duncan U. Fletcher,
United States Senate, Washington, D. C.

I have your letters with inclosures of June 6 and 7. In your letter of the 7th you hand me the article of Mr. Charles Hall Davis of June 3, wherein he speaks of his plan for State rural banks, and you say :

I am asking that you read it carefully and return the same to me with such comments as will set out as fully as you may your views on the subject.

I have gone over the article, and am of the opinion that Mr. Davis is deserving of credit for the manner of his presentation. His paper seems to be clear and logical, but whether his plan will be practicable is a different proposition.

In my opinion it would be safest at this time to avoid being tempted to take up with any new plan, however well and ably presented, however sound the seeming logic of its premise. The risk is too great for experimental ventures, as failure in a material direction would be likely to bring about suffering and ruin to many.

There is, however, no need of venturing out in the field of a new plan, for there are the tried plans in the European countries, plans which have been in operation for years, plans which are in operation, plans of incalculable benefit to the farmers of Europe, plans which would be of equal benefit to the farmers of the United States. That some changes will have to be made before any of the plans will be adaptable to the conditions of the American people may be admitted, but in no instance should this change be introduced at the expense of prospective security. There should be no accommodation on that account.

I have previously pointed out to you that in my opinion the most adaptable plan, and that allowing of widest application in the United States, would be the Landschaft system, provided that it be introduced in the United States with all the safeguards that surround it in Prussia. With these safeguarding features slackened or vitiated, the Landschaft system in the United States would be likely to become a two-edged sword of destruction and ruin.

WHAT IS THE LANDSCHAFT ?

In my opinion there is no reason why the Landschaft can not be adopted in the United States with the same safeguarding features that operate in Prussia. The plan of the Landschaft is so simple that it may be explained to and understood by any person of average intelligence.

Given state and national laws enacted in the United States on the basis of the European safeguarding method, and the matter becomes quite easy. A body of citizens in a certain locality, presumably neighbors, form a *Landschaft* operating under state and national laws. As in operation in Prussia this *Landschaft* has limited functions, restricted in the main to the trusteeship of the mortgages, given it by its members on their lands. On these mortgages it issues the *Landschaft* bonds for amounts varying from one half to two thirds of the appraised value of the land. As stated to the American commission at the meeting at Dresden by Hofrat Bach, the "*Landschaften* are associations of borrowers, in contradistinction to the joint-stock mortgage banks, which are associations of lenders."

The *Landschaft* transacts no banking business whatever; in fact, it transacts no business except that above stated — that is, it gives the borrower a bond for his mortgage; the borrower then proceeds to sell the bond in the open market and puts the money in his pocket, and that is the end of the money so far as the *Landschaft* is concerned. All it asks of the borrower is to hand in the interest and amortization on his bond until the debt is extinguished. If he does not do this, the *Landschaft* takes possession of his land, has it sold to the highest bidder, and returns to the borrower any balance left over and above the amount for which he was given a bond, and the costs. The *Landschaft* can do this in Prussia without any recourse to a lawsuit. Substantially, the *Landschaft* in all this has the power of final decision vested in a supreme court. If no such power can be granted, then it would be unsafe to have a *Landschaft* in the United States; in fact, we could not have it, for the purpose of the *Landschaft* is to secure long-time loans with amortization at 3, 3 ½, and 4 per cent, and this interest rate would double or treble itself as soon as doubt as to the validity of titles and other questions between borrower and lender would be considered admissible. The *Landschaft* in Prussia has no such questions to contend with. The *Landschaft* directors foreclose without recourse to lawsuits. Their decision is final.

SAFEGUARDING FEATURES.

And the question may be asked: Would not such a *Landschaft* system be likely to lend itself to failure through dishonesty or incompetency on the part of the directors? It certainly would if it were not for the safeguard furnished by state and national laws. In Prussia this safeguard is the *sine qua non* of the *Landschaft*. One of the members of the board of directors of the *Landschaft* is appointed by the King — appointed for life — while the other members are in substance semigovernment officials so long as they hold the position of directors of the *Landschaft*. It is the safeguarding, the rigorous safeguarding, of this system by the Prussian Government that gives the bonds the high value they have in the open market and which makes them saleable at the low rate of interest which is paid on them. Remove this government safeguard and the bonds will slump in price at once, and the interest would have to be doubled or trebled before they would sell. In fact, such bonds would not sell at all, for a

bond in the open market, subject to the law of a certain district, administered in that district, may only have a limited and a local value. Such a bond would not be liquid; it can not be liquid; and to attempt to make it so would but invite ruin. The need for national government safeguard is clearly indicated in the statement made to the American Commission at the Dresden hearing (June 22, 1913), which, in speaking of co-operative credit societies before national law was enacted for their safeguarding, says:

All these societies did a good business * * * until a crash came in 1873 and swept away the Vorschuss Verein with it—many were rendered bankrupt, others forced to go into liquidation. * * * In this way the further life of such societies practically ceased in Saxony for the next 20 years or so; but in 1889 came the great German Imperial law, which is to be thanked for the splendid revival of cooperative societies in Germany.

This law provides for the rigorous government supervision of all cooperative credit societies.

So, then, we must either have the Landschaft system safeguarded in the United States by state and by national law and administered as rigorously as in Prussia, or we can have no Landschaft system operating safely in the United States.

In my opinion it will be found just as possible to have the Landschaft system in the United States as it is to have it in Germany; for what will be asked of the United States? Will it be to lend the farmers money? No. Will it be that the Government of the United States should guarantee the bonds? No. What then? The United States will simply be asked to act as umpire between borrower and lender. The United States is to see that both parties adhere strictly to the terms of the contract. That is all. And it may be that some simple mode of procedure can be put in operation toward this end without at all infringing upon the Constitution. Perhaps this can be done through some such body as the Interstate Commerce Commission, or by some other body created for that purpose. Such body should be granted the right of dealing with the bonds issued in one State and bought and held by citizens of various States of the United States: clearly an inter-state transaction.

I have before me the financial supplement of the Vossische Zeitung of Berlin (June 13), giving stock-exchange quotations. Ample space is given for the quotations of the Landschaft bonds. Let us compare a few of these quotations with those given in the same paper for the Government bonds of Germany for the same day.

THE DIFFERENCE.

Quotations of German Government Bonds and German Landschaft Bonds	Government bonds.	Landschaft bonds.
4 per cent	96.00	100.00
3 ½ per cent	84.80	96.00
3 per cent	74.80	80.50

From this it will be seen that the Landschaft bonds stand higher in the open market than the Government bonds bearing the same rate of interest.

THE FUNDS OF WIDOWS AND ORPHANS.

And now another point. It may seem that the Landschaft system would only be in the interest of the American farmer. This, however, is but one phase of its benefits, and by no means the only important one. There is another section of the community of equal importance to the farmers, if not more so, to whom the benefits of such a system would go; I refer to the widows and orphans. Above all investors these require the greatest security and are at the same time by themselves the least capable of investors. Be it understood that making a safe investment of money is a perplexing and difficult task even for a man well posted in matters of finance. How much the more so for women, who have had very limited, perhaps no experience at all in the investment of money. It is incumbent upon the National Government to aid in the safeguarding of such funds; for if it be the duty of government to be policeman, umpire, in the matter of equity between individuals, in the preservation of the sanctity of contracts, it is certainly within its province to spread its sheltering wings over the otherwise defenceless funds of the widows and orphans.

And in this we are taught a lesson from the example of Germany. The Prussian Landschaft is in the main an institution affording a safe investment for the funds of the widows and orphans. The safeguarding of the Landschaft by the Prussian Government renders its bonds so high and the interest so low as to preclude their purchase by professional money lenders. Their almost absolute security, however, renders these Landschaft bonds as safe an investment, and with less chances of fluctuation on the open market, than government bonds, as illustrated by the quotations above given. They are therefore largely bought as investments for the funds of the widows and orphans, and consequently are so securely safeguarded by the Prussian Government.

This commendable action on the part of the Prussian Government reminds me of an historic event in past times indicating the high humanitarian reach in this direction attained by the people of Israel, and the manly acquiescence in this exalted stand by the great Roman general, Pompey. After a stubborn resistance Pompey succeeded in capturing Jerusalem. He and his soldiers, in an endeavor to recoup themselves for the cost of the war, entered the temple for the purpose of spoil. Going into the Holy of Holies, where he expected to find statues of gods and goddesses, images of silver and gold, Pompey found a room devoid of such statues, for it only contained a great golden candelabra and a golden table for the shew bread. This was, no doubt, a disappointment to Pompey. He was, however, told that there were ever so many sacks of gold and silver in the vault of the temple. On going there he found a great number of bags of gold and silver, all neatly done up with labels on each. "Why," he asked of the priest,

“ did you not tell me of this treasure before ? ” “ Because, ” said the priest, “ this is the sacred treasure ; these bags contain the funds of the widows and orphans of the people of this country. We therefore consider them more sacred than the offerings to God. ”

Pompey thought for a while, then ordered his soldiers to wheel about and march out and never touched this treasure.

And this lesson is sufficient. The American Government should safeguard the funds of the widows and orphans, for the American people, like Israel of old, is a righteous nation.

Nor need there be any hesitation at taking such action on the ground that it would be socialistic ; if it be socialistic at all it is not socialism of the collectivist order, but it is on the order of Herbert Spencer, the individualist. Mr. Spencer laid down the proposition that the chief duty of government is that of policeman, umpire ; that its chief duty is to arbitrate between contracting parties ; to judge between them, and to determine the equities.

And what duty can be more just for a government than arbitrament in the case of such a body as the *Landschaft*, between the farmer, the money borrower, on the one hand, and the widows and orphans, the money lenders, on the other ?

In corroboration of the above, I wish to quote the opinion given by the eminent German economist, Prof. Brodnitz, of the Halle University. In reply to my inquiry (June 15, 1913) as to what guarantee there would be for the rigorous supervision of the *Landschaft*, he replied :

The best possible, for the bonds at the high prices at which they sell and at the low interest which they bring, do not tempt regular money lenders to invest in them. They will be bought up mainly as investments for the funds of widows and orphans. This being the case there will be every reason to believe that these investments will be safeguarded by the Government with such caution and care as to preclude all danger of fraud or repudiation. And this great care and caution would give these bonds a value as high and perhaps render them steadier even than government bonds, especially in times of war and panic, as for instance, was the case in 1806 during the Napoleonic wars, when the *Landschaft* bonds were high and the government bonds low.

KEEPING OUT OF DEBT.

Now that the question of rural credits has been so fully placed before the American people, it might be presumed that the American farmer has been thoroughly awakened to its importance. This is, however, far from being the case. It is true that the farmers of America are learning more and more what it all means as time goes on, but at the present writing there are quite a number of farmers who are under the impression that any system of rural credits would be an evil ; they are under the impression that the best thing for a farmer is to keep out of debt of any kind. These farmers fail to realize the fact that for a business man or farmer to follow such a plan literally would require a surplus bank account subject to call, and therefore on deposit without interest. That is, quite a sum of money would have to be lying by idle, doing nothing, and such a mode of procedure

is not a gain but a loss. Moreover, but very few farmers have such surplus money, so what must they do? They must buy all they need and pay for their labor and raw material on time — on long time — and this means buying money of the storekeeper, which means paying the highest rate in the world for money instead of the lowest rate in the world. It further means that such a system is not “keeping out of debt” at all, but keeping in debt, and at the highest possible cost for the debt. In fact, the American farmer has yet to learn the simple lesson taught by the experience of the American merchant. Say 40 or 50 years ago the American merchant could not obtain money on open account from the bank, so he was compelled to get into debt with the jobber, and it was then that the jobber took from the American merchant “all that the traffic would bear”; that is, the jobber farmed the merchant, and at the present time the storekeeper farms the farmer, and if the farmer would only know how much in debt this supposed “not-in-debt” system places him it would open his eyes. He would begin to see that the Landschaft system, instead of being a proposal which would put the American farmer into debt, is just the very system which would put him on a cash basis.

If there be any farmers that have any doubt as to the truth of this statement they can readily prove it. Let them go through the various stores in the cities nearest to their farms; let them ask each of the merchants to tell them whether they utilize the credit to which their assets entitle them on the open market, or whether they refuse to make such use of these assets; and the farmers would presently find that there is perhaps not a single merchant of good standing who does not avail himself of such credit. The only ones that are obliged to go without it are those who have a reputation for dishonesty or incompetency.

THE NEED FOR THE LANDSCHAFT,

It should be understood that the financial functions of a business can be compared to the human breathing apparatus. The business needs a winter stock which must be bought in summer, and a summer stock which must be bought in winter, all of which requires surplus money, more money than the mean average level. There is periodic expansion and contraction. If the merchant has money lying idle, ready for use whenever he needs a dollar, then he is doing business in a clumsy and costly way, and quite unnecessarily if he have a good standing. His assets, if backed by good character, will give him a dollar at 5 per cent a year. With this dollar in hand he can discount his bills at the rate of 5 per cent a day, in fact, he can discount and rediscount with the same dollar many times over that day, and return the dollar to the bank and pay interest on it at the rate of one three-hundred-and-sixty-fifth of 5 per cent for the use of that dollar for that day.

But the most profitable use of the money that the farmer can obtain on the security of his assets will be had in using it collectively, through cooperation, through a corporation formed for that purpose. With the

money that the security of their collective assets would give them the co-operative group of farmers, or, if you please, this corporation of farmers, could then perform all the functions now performed by the city commission man and by the trust. In fact, the farmers could be their own trust.

"But," say some, "what need is there for the Landschaft when farmers can act cooperatively without it?" Yes, that is true; they can act cooperatively without the Landschaft, without capital. But what does such action amount to? It is almost as ineffectual for the farmers to act on such lines as it would be for the trusts, were they deprived of their capital or credit. Under such circumstances the trust would come to a sudden standstill; it would cease to be a trust. And, in the final analysis, the farmer without capital must remain subject to the trusts who have the capital. The fact is, the collective assets of the farmers could furnish a capital very much greater than the greatest of the trusts could command. It is only a question of placing their assets in an available liquid form.

THE POWER OF CAPITAL.

In 1885 the California fruit growers, for instance, seeing that they were in the hands of a couple of trusts, organized cooperatively to fight those trusts. The California trusts were each rated at a million dollars and over; the California fruit growers, for this conflict, only had a few hundred dollars to meet current expenses; and as a result of the fight they have been waging all these years, the couple of trusts are still there, doing business at the old stand, with almost the same power that they had in 1885. It was the trusts, each capitalized for a million dollars and over, that did the work, and do the work. It was several million dollars against a couple of hundred dollars, and the couple of million dollars won out and will continue to win out on this line until the end of time.

But note how foolish and unnecessary this fight is. The trust has a couple of million dollars, but the California fruit growers could double and quadruple that couple of million dollars several times over if they were to place their assets in available liquid form — in a form of which the Landschaft system would permit. And so with the farmers everywhere, they could become the distributors of their own products through the medium of the Landschaft system.

The Landschaft would be the mode for getting the money; that is all that the Landschaft could do. The farmers could then form another cooperative association, another corporation, their own cooperative bank, in which they could deposit the money obtained by the sale of the Landschaft bonds. This bank could, in turn, first give the farmers the open account, which would enable them to do business for cash; it could secondly furnish the money for the cooperative distribution of the products of the farm. All this would make it possible for the farmers to form the third and last cooperative group or corporation for the collective purchase of requirements and the collective distribution of their products. There would thus be three distinct cooperative groups, three corporations. First,

the Landschaft ; second, the cooperative bank ; third, the cooperative purchasing and distributing association. The safeguarding proposal by the State and Nation would only refer to the Landschaft and not to the other two.

THE LANDWIRTSCHAFTSRAT AND THE LANDSCHAFT.

Pertinent to this whole matter is the very valuable suggestion in your letter of June 7, wherein you say :

Every city has its chamber of commerce ; why not have chambers of agriculture established in the rural districts, and do this for the organization of the farmers in the cultivation, production, and marketing of their crops and in the financing of their affairs ?

I think that your suggestion hits the nail on the head. These chambers of agriculture should be federated into a national chamber of agriculture, holding periodic sessions, presided over by the Secretary of Agriculture or the Secretary of Commerce. Relative to this matter I wish to say that on June 20 Dr. Owens and myself had a lengthy conference with Dr. Dade, the secretary general of the Deutsche Landwirtschaftsrat, who gave a full and clear exposition of this organization and its purposes. The discussion took the form of questions and answers, and I will send you a copy of the report of same as soon as it is mimeographed. I think you will read this statement with keen interest. It will be of material assistance to you in launching the chambers of agriculture for the United States.

Further Comments to Senator Fletcher

sent as an

ADDENDA TO SENATE DOCUMENT N° 123

THE LANDSCHAFT SYSTEM

Complying with your request of July 21st. for further suggestions, I send you the enclosure as an addenda to my paper on the Landschaft system (Senate Document N° 123).

From the papers that reach me I see that the general interest in rural credits has resulted in the introduction in Congress and in various State Legislatures of numerous rural credit schemes. I therefore deem it in order to offer some comments on the situation.

Of the plans presented there are two kinds which seem deserving of serious consideration.

First : new, untried plans which appear to be presented in logical form ;

Second : plans pressed forward by powerful backing.

The experience had in European countries shows that it would be insufficient to rely on plans merely because they are presented in logical form or pressed by powerful backing. We

shall find that, in the early history of this movement in Germany and in other European countries, disastrous results often followed hasty action on plans similarly put forth. Great care should, therefore, be exercised in the consideration of any schemes presented, however logical in form or however powerful their backing.

In my opinion the safest course would be to give serious consideration only to those plans which, through many years of satisfactory operation, have proven themselves practical, and to modify them as little as possible. The stricter the adherence to the original, the safer will be the course.

Among the proposals brought forward are:

- (1) that the federal government provide the money for a rural credit system;
- (2) that the federal government guarantee land-mortgage bonds;
- (3) that the State provide money for a state system of rural credits;
- (4) that the State guarantee land-mortgage bonds.

Let us review these proposals.

- (1) That the federal government provide the money for a rural credit system.

The objections to this proposal are:

First - that it would entail special legislation. If the federal government is to provide money for rural credits, why should it not also provide money for urban credits?

Second - as under such a system the federal government would become the money-lender, it would be likely to lead to repudiation of the debt by the borrower, for, under our liberal form of government, it would be next to impossible for the national government to recoup itself by dispossessing defaulting debtors from their farms.

Third - such a system would, in fact, be a vicious form of Socialism.

The same objections that hold good under (1) would hold good under (2), and similar objections to those given to (1) and (2) would hold good for (3).

- (4) That the State guarantee land-mortgage bonds.

This seems to be a popular proposal, and measures of this kind have already been introduced in several State Legislatures. This proposal is defended on the ground that it would merely be an extension of the policy followed in the case of State bonds now issued for other purposes. But there is this difference which should be borne in mind. While it is feasible for the State government to come out whole so far as its responsibility for its usual bonds is concerned, it would be quite another matter for it to come out whole were the defaulting debtors to represent a large proportion of its farming population. In case of repudiation on their part it would be no more possible for the State government to dispossess a large body of defaulting farmers than it would be for the national government to do so.

CONFLICTING INTERESTS.

There is yet another reason against the adoption of State guarantee of land-mortgage bonds. It is obvious that bonds issued in State A would be subject to the jurisdiction of that State, even if held by residents in States B, C, D, and E. Now, inasmuch as in the event of having to make good the claims of bond-holders of other states it would be inexpedient and impracticable for a State Government to dispossess a large portion of its farming population, so it would follow that under a system of State guarantee the interests of the holders of such rural credit bonds in States B, C, D, and E would be jeopardised.

It would thus seem that plans 1, 2, 3, and 4 would be impracticable. That is, that government financing of rural land banks, or direct advances by the Government to the farmers, or government guarantee of land mortgage bonds would be impracticable.

And now let us examine the schemes brought forward under another category.

First comes the private land-mortgage bank system; second, the land settlement schemes.

As to the first, the private land-mortgage banks, they are open to the following objections:

They reverse the usual order of cooperative credit institutes. The essential feature of co-operative credit is that the primary movers, the co-operative group of farmers are an association of borrowers, in contradistinction to the joint stock mortgage banks which are associations of lenders. Under the co-operative system the associated farmers borrow direct from the public. Joint stock mortgage banks are only of value to the farmers in countries where the true co-operative rural credit systems operate. In such countries it is the competition of the co-operative rural credit organisations which forces down the rate of interest charged by the mortgage bank to a minimum level. Remove this competition and the mortgage bank's rate of interest will at once bound upward to the maximum. And even where this competition exists there is no specially useful function that the private mortgage bank performs which cannot be better performed by the co-operative credit association. In fact, the mortgage bank is but a toll-gatherer; it obtains its money from the public at, say, 3 to 4 %, and loans it to the farmer at from 5 to 8 %. Under the co-operative rural credit system, especially under the *Landschaft* as carried on in Germany, the co-operative group of farmers has no need to apply for money to the toll-gathering mortgage banks, for it is able to get all it requires from the people direct, at from 3 to 5 % interest with amortisation.

THE LANDSCHAFT NOT A BANK.

The *Landschaft* is not a bank, nor does it deal with a bank; it is an association of borrowers with the public for lenders. The co-operative group of farmers, under this system, could market their products, and become their own distributors with the money thus obtained.

And now as to the second, the land-settlement schemes. These schemes claim to offer to poor men an opportunity to become land-owning farmers by giving, in exchange for a mortgage, a deed on a farm on condition that the poor man pay, say, 10 or 20 per cent down and the remainder by annuity instalments, inclusive of capital and interest, and extended over a series of years.

This kind of scheme is susceptible to dangerous manipulations. It has nothing in common with the well established rural credit schemes of Europe and should not be considered in this connection.

If all of the above schemes seem to be impracticable, it will be well to bear in mind that they are not the co-operative rural credit schemes. The way to adopt cooperative rural credit is to adopt cooperative rural credit, and the system of co-operative rural credit which, in my opinion, would be most practicable for the American farmer would be the *Landschaft* system. I have already set forth the essential features of this system in Senate Document N° 123, (to which this paper is an addenda).

The *Landschaft* has the merit of being a system based on common sense business principles. Under it Johnson is not responsible for Thompson; Johnson is only responsible for Johnson, responsible for himself, responsible for what he owes, and he cannot owe anything on a *Landschaft* bond unless he has land assets, and if he offers these assets as security they must be real security, security worth 100 cents on the dollar in his own locality and worth 100 cents on the dollar 3000 miles away; security worth 100 cents on the dollar on the day on which the bond is issued, and worth 100 cents on the dollar on the day it is redeemed. It is this kind of security behind them which makes the German *Landschaft* bonds sell in the open market at as low a rate of interest as German government bonds. This kind of security is so eagerly sought after as to reduce the interest rate much below the ordinary money-lender's standard. The bonds are, therefore, eagerly taken up by those who cannot afford to speculate, who do not know how to speculate; and in Germany they are so secure and liquid that the government sanctions them as trustee investments for the funds of widows and orphans. Introduce the *Landschaft* into the United States with the same safeguards as in Germany and the bonds of the American *Landschaft* would sell in the open market at the same rate as United States bonds. It is all a question of security and of the form in which that security is placed. Unquestioned security in liquid form

always has an open market, and the Landschaft bonds in Germany are unquestioned security in liquid form.

And in the matter of paying up, Johnson can not hide behind Thompson, nor play the "baby act" and, through repudiation compel the government to pay for him. Johnson is simply compelled to be an honest man; to pay what he has borrowed without hemming or hawing.

Now if Johnson be inclined to consider these terms too harsh, then let him bear in mind that the real harshness comes in when he places himself in the hands of the average money-lender as he is now compelled to do in the absence of the Landschaft. To begin with, under the present system of individual loans made by private money-lenders, obligations are likely to be enforced with much more harshness, and the interest exacted is sure to be much higher than under the Landschaft.

METHODS OF SAFEGUARDING.

The Landschaft system combines the features of individual and associate initiative taken by the co-operative group of farmers, borrowing of the public direct, and the feature of government safeguard (not government guarantee). It is the rigorous carrying out of this safeguarding system in Germany which renders the Landschaft bonds liquid and saleable in the exchanges of the open market and at even higher prices than German government bonds, in proof of which I will copy the quotation from the "Vossische Zeitung" of Berlin, June 13, 1913, (given in Senate Document N^o 123).

	Government Bonds	Landschaft Bonds
4 %	96.00	100.00
3 ½ %	84.80	96.00
3 %	74.80	80.50

From all the foregoing I would offer the following proposal in relation to the establishment in the United States of a system similar to that of the Landschaft :

FIVE ESSENTIAL POINTS.

- 1) A co-operative rural credit system in the United States should be instituted under State and National laws.
- 2) State and National laws would be required on land-titles, so as to render co-operative land credit bonds liquid anywhere (uniform land registry legislation or Torrens Act).
- 3) Rural co-operative credit associations should apply to a state commission, instituted for that purpose, for charters to entitle them to do business as co-operative rural credit associations. These charters should be delivered in duplicate;
- 4) The Interstate Commerce Commission, or some other existing body, or if necessary, a special commission created for that purpose, should be empowered to issue national charters to the co-operative credit associations, and to perform all other necessary functions in relation to safeguarding the business methods of the proposed rural credit associations;
- 5) The original or duplicate of the State charter of incorporation should be turned over to one of the above-mentioned commissions with the request that it be exchanged for a national charter; and when this national charter shall have been issued, the co-operative credit association could then proceed to do business.

Objections may be offered to this proposal on the ground that before co-operative rural credits could be established under such a system of national and state safeguard, it would be necessary to wait an indefinite time until all the states had enacted uniform laws to this end.

In my opinion there need be no such delay. A rural credit association on the Landschaft plan could be started in any one state which might see fit to adopt laws in accordance with the requirements on this head enacted by national legislation. The national government need not

coerce or persuade the states on this point ; it need only indicate how such a Landschaft association could be rendered possible under the law, and the individual state could then act or not act as it saw fit ; if it were to want a Landschaft it would act ; if not, it would not act. The other states could follow suit as they became convinced by the success of an experiment made in one state of the value of the Landschaft system. Its very success in one state would pave the way for making straight the path for its introduction into other states.

THE LANDWIRTSCHAFTSRAT: AN ESSENTIAL STEP.

An essential step towards the realisation of the co-operative rural credit systems would be the establishment in the United States of an organisation similar to the German Landwirtschaftsrat. A Landwirtschaftsrat, or "National Council of Agriculture", with its constituent Chambers of Agriculture throughout the United States, would be an effective means for organising the co-operative credit groups. The Landwirtschaftsrat has a limited function. It is (a) semi-official, under national law but not under the control of the Administration ; (b) it is a consultative and advisory body representing the farmers' interests ; (c) it performs the function of censor, critic, and initiator in matters affecting agriculture.

Corroborative of the above I wish to quote some questions asked by me on June 25th of Dr. Johanssen, Director of the Chamber of Agriculture of Hanover.

Q. In what way does the Landwirtschaftskammer assist agriculture in Hanover ?

A. The Landwirtschaftskammer is known as the mother of all co-operative associations, but it only acts as an advisory board, it never transacts business ; it supports agriculture in every way that it is possible for it to do.

Q. Do these Chambers of Agriculture exist only in Hanover or throughout the German Empire ?

A. To begin with, in all the provinces of the Kingdom of Prussia ; but in all the other German States there are similar Chambers of Agriculture, the elected members of which form the Landwirtschaftsrat for all Germany.

Q. Are there any trusts in Germany ?

A. There are no agricultural trusts. There are coal trusts, iron trusts, etc., but no agricultural trusts.

Q. Why are there no agricultural trusts in Germany ?

A. Because German agriculture has not developed in that direction.

Q. In what direction has your agriculture developed ?

A. German agriculture has been guided in the direction of co-operation, of direct dealings between producer and consumer ; and this has made the agricultural trust impossible.

Q. In the United States there are private corporations, trusts, which, for instance, purchase eggs and other farm products and store them until their price rises on the market. Is this done in Germany ?

A. No, it is not done ; there are no such trusts in Germany. The farmers dispose of their own products through cooperation.

As I pointed out in my letter to Secretary Houston of August 28th, I believe that the Landwirtschaftsrat can be adopted with few and minor changes to American needs. With such an organisation to lead the way, it would become possible and practicable to bring about the co-operative rural credit associations on the lines above indicated.

An Opinion on Senator Fletcher's Bill (S. 2909)

For the establishment of a National Co-operative Rural Credit System in the United States.

GIVEN AT THE REQUEST OF THE UNITED PRESS ASSOCIATIONS.

I have been asked by the United Press Associations for an opinion on Senator Fletcher's bill to establish a national system of co-operative rural credit in the United States.

Senator Fletcher's bill appears to me to show notable analytical and constructive ability. Its framer has, as it were, swept the entire horizon, converging into one whole the cardinal features of the principal rural credit systems of the European countries.

Judging the bill by the standard of newness and comprehensive eclecticism the verdict would have to be favorable ; but would it be expedient or profitable to inaugurate these systems on lines so eclectic, so broad, so technical ? Let us see.

The development of the rural credit systems in Europe has been by slow and painful steps. Though put forward in the simplest elementary forms and promulgated on extremely conservative, cautious lines, the path of progress nevertheless shows evidences of destructive loss. Only by profiting through the lessons taught by failure have the European systems become a source of economic benefits, and even now that they are profitable and of recognised advantage, we still find each of these systems in operation in extremely simple and elementary forms. The Raiffeisen, for instance, is not mixed up with the Landschaft, the Banche Popolari are distinct and apart from the Casse Rurali, the Schulze-Delitsche banks are not correlated to the Crédit Foncier system. Each is distinct and separate from the others.

And this is as it should be, for a comprehensive gamut of financial knowledge is only possessed by the few. But the European rural credit systems are operated by farmers who have no such knowledge. Now, if it is a difficult task for the average farmer to master the elementary routine of a simple rural credit system, how much greater would the difficult be were he given a task involving comprehensive technical financial knowledge ?

Now, if we take up section 6, clause 6, (page 5, lines 5 to 12) of Senator Fletcher's bill, we find that his proposed rural credit scheme is, in fact, a highly eclectic product, embracing the cardinal features of the Raiffeisen, the Schulze-Delitsche, the Landschaften, the Italian, the Austrian, and the French rural credit systems.

If this is a fair statement of the case it would seem to me to lead to the following conclusions :

First - that Senator Fletcher's bill as it now stands, is too broad and too technical for practical purposes ;

Second - that Senator Fletcher should so amend it as to provide for the introduction of but one of the systems now in successful operation in Europe and on lines, as far as possible, in strict conformity with the spirit and routine under which that system now operates.

Fortunately Senator Fletcher, in his speech before the House of Governors at Colorado Springs, has indicated, with intuitive foresight, to which of these systems priority should be given in America. Referring to the " capital needs of the farmer " he defined them as " his mortgage credit needs ", and said :

“ That is to be provided for by long-term bonds bearing a low rate of interest with the amortisation feature. The German experience is that a system like the *Landschaft* is the best yet devised for this purpose ”.

Right here is where I agree with Senator Fletcher, and I would advise that he amend his bill by limiting it to the *Landschaft* system.

A material portion of the legislative frame-work required for the introduction of the *Landschaft* is already foreseen in the first sections of Senator Fletcher's bill wherein provision is made for the control of rural credit institutions by a federal commission.

That such a commission would be essential is evident, for it can be laid down as a rule that whenever, under federal law, bodies of citizens in given states, acting under charters of the federal government and under charters of their respective states, are authorised to form associations for the purpose of issuing bonds on lands within the boundaries of those states, and when a large portion of said bonds are to be bought and held by citizens of other states, the equities involved in these transactions become matters of inter-state relationship, of relationship between the several states, and between each of the several states and the federal government, when such equities may only be determined or adjudicated by and through an inter-state federal commission.

It may be pointed out that the inter-state federal commission proposed by Senator Fletcher could perform for the *Landschaft*, for the investors in *Landschaft* bonds, and for the public generally a similar service to that performed for commerce by the R. G. Dunn and the Bradstreet commercial rating companies. It could do this by giving out monthly; quarterly, semi-annual, and annual reports showing :

First - the facts and rating of each member of a *Landschaft* and of the *Landschafts* as a whole ;

Second - the facts and “ weighted ” rating of all the *Landschafts* and a summary of the same.

These reports could be circulated broadcast, much the same as the crop-reports of the Department of Agriculture.

But how could this rating be arrived at ? On what evidence would the land be appraised ? How would the real process of valuation by the *Landschaft* be made known to the federal commission so as to enable it to pass judgment on the same in full possession of the facts ?

To slur over the answers to these questions, as many proposals have done, simply saying that there will be “ an honest and capable appraisement committee ” ; that the bonds “ will be guaranteed ” ; that the appraisement “ will be made on safe and sound methods ” , is merely repeating words of no more value than “ sounding brass or a tinkling cymbal ”.

The value of the bond in the open market, its stability, its security as an investment, and the validity of federal control, all these will depend on the reliability of the appraisements ; their reliability not merely on the day on which the lands were valued, but on the ascertainment of any subsequent shifting in their value.

It appears to me that a way presents itself whereby this could be done, a way at once inexpensive, simple, and effective, and that way is through wide and general publicity, as follows :

First - the valuations by the *Landschaft* of the lands of applicants for loans could be sent to the inter-state federal commission and copies displayed for a stated period in the post-offices, county court houses, and other public places within the *Landschaft* district.

Second - the public could have the right to criticise these valuations and to suggest changes, and to forward such criticisms (a) to the interstate federal commission, (b) to the district *Landschaft*.

Third - at stated periods the district *Landschafts* could hold public hearings to pass on the valuations, when criticisms received could be considered and hearings given to verbal statements by the public. Copies of the minutes of said hearings should be sent to the inter-state federal commission, together with any amendments to the valuations that may have been made.

Fourth - the inter-state federal commission should correspond with federal and state

officials in the Landschaft districts on matters touching the equities in land valuation. It should employ field agents to make detailed reports. It should hold hearings at stated periods when representatives of the district Landschafts, of the bond-holders, and of the state governments should be heard, as also any other witnesses who may appear. It should have the right to modify valuations, making public its reasons for so doing.

Similar methods should be adopted for the revision at stated intervals of former valuations, so as to maintain the parity between the value of the security, the land, and the value of the bond.

All these steps would secure effective control of the Landschaft valuations, and would enable the inter-state federal commission proposed by Senator Fletcher to publish the suggested reports on the rating of the Landschafts.

There are, besides, other phases of control, and these are provided for by Senator Fletcher's bill under section 30 which contemplates the control of land-titles, uniformity in their registration, and so forth, and of the modes of procedure in foreclosures.

A striking provision of Senator Fletcher's bill is its insistence on the guarantee feature for land-mortgage bonds. This is reiterated and emphasised. It should be eliminated. A guarantee leads to a guarantee of that guarantee, and so on. B guarantees because A has guaranteed; and C guarantees because B and A have guaranteed, and so on *ad infinitum*. But if the security behind the bond lack validity in fact, no guarantee in the world can give it that validity. In other words, no guarantee can make \$4.00 land worth \$40.00 land. If we are sure that \$4.00 land is appraised at \$4.00, and given as security for \$2.00, then there is no need of guarantee. But if, through dishonest or incapable valuation, \$4.00 land can be appraised at \$40.00 and given as security for \$20.00, then we have a cause which misleads and which no guarantee can straighten out.

In evidence thereof let me quote from George K. Holmes, of the United States Department of Agriculture, in the International Institute's Bulletin for April, 1913. Mr. Holmes quotes the following statement by L. M. Shaw, Secretary of the Treasury under President McKinlay. Criticising the land mortgage crisis of some thirty years ago, Mr. Shaw says of the mortgage banks:

"Nearly all of them who guaranteed their mortgages failed..... the unguaranteed mortgages proved to be much better than those that were guaranteed".

In conclusion I would say that while the bill is open to criticism and subject to amendment, it has a merit not to be overlooked, and that merit consists in the fact that it has been put forward by Senator Fletcher. I have been in almost constant correspondence with the Senator for the past year and a half, and have learned to know him and to appreciate his qualities. While he is slow and deliberate in coming to a conclusion, he is pronounced and firm when once he has arrived at it. But he is by no means dogmatic. His mind is open and free, receiving adverse criticism and treating it with judicial calmness, no matter how harshly or unjustly it may be put. Such a mind is capable of rectifying and adjusting any weak spots in a proposal it may put forth.

That I am justified in these statements may be seen from the following quotation from the Senator's speech before the House of Governors at Colorado Springs: speaking of his bill he said:

"I wish it further understood that I am not committed to the plan there set forth to such an extent that I am not ready to yield it, or any portion of it, if a better scheme is presented".

I therefore feel almost confident that Senator Fletcher will so amend his bill as to make it acceptable to the Congress of the United States and to the American people.

THE LANDSCHAFT AND MODIFICATIONS OF THE SAME

a) Long Time Loans, b) Short Time Loans, c) Loans on Open Account.

a) LONG TIME LOANS.

From the foregoing it would appear to be practicable to introduce the Landschaft system in the United States, and on as safe a basis as in Germany. But the provisions so far set forth relate to long time loans only, and the question is, could the Landschaft be made to provide for short time loans?

It would seem to me that this question can be answered in the affirmative, provided the mode of procedure already outlined be somewhat modified as follows:

b) SHORT TIME LOANS.

Assuming that the safeguards of appraisements, titles, foreclosures, etc., set forth on pages 16, 19 and 20, be the basis for the system, we then proceed in the modification as follows:

First - that all the mortgages of a Landschaft be deposited in trust with the Federal Commission, and kept in the vaults of the United States Treasury during the life of the Landschaft.

Second - on blanks, issued in series, and partly filled in by said Federal Commission, the members, on application of the Landschaft, would be authorised, on the security of its mortgages, to apply in the bourses or in the open market for « call » or other form of short time loans for the stated amounts set forth in the blanks.

Third - these applications would be subscribed for by underwriters, about the same as is done by the underwriters at Lloyds, who would, on payment, receive receipts for same, in a form which shall render them a negotiable bond issued and authorised by the Federal Commission, which receipts would show the responsibility of the Landschaft (under the Federal Commission) for any unpaid portion of the loan, and the process for the meeting of the obligation. On repayment of the loans, the receipts should be returned by the Landschaft to the Federal Commission.

Fourth - records of the loans and their payment should be transmitted by the Landschaft to the Federal Commission, but the cash transactions

while recorded by the Landschaft, would pass from lender to borrower, and from borrower to lender, thus avoiding the handling of this cash by the Landschaft.

Parenthetically, I wish to say that the second clause of the above short time loan system (« that all the mortgages of a Landschaft be deposited with the Federal Commission during life of the Landschaft ») could also apply to the long time system before set forth, but modified to read as follows : « that the mortgages of a Landschaft be deposited with the Federal Commission during the life of the loans. »

c) OPEN ACCOUNT LOANS.

So much for long time and short time loans. And now the question is, how about loans on open account ? I believe that this character of loan could also be arranged for by a slight modification of the above clauses as follows :

First - clause third should read : on blanks, issued in series, and partly filled in by said Federal Commission, the members, on application by the Landschaft, would be authorised, on the security of their mortgages, to apply to commercial banks for open account loans for the stated amounts set forth in the blanks.

Second - these applications would be subscribed for by commercial banks ;

Third - records of the open accounts authorised and allowed would be kept by the Landschaft and by the Federal Commission.

Fourth - the cash transactions should be direct from the bank to the borrower, and from the borrower to the bank.

ITS SIMPLICITY.

It would seem to me that the Landschaft with the modifications herein outlined would afford the simplest and safest method of cooperative rural credits for the United States, and would provide for (a) long time, (b) short time, and (c) open account loans.

The Landschaft in the performance of its duties would have no responsibility of handling money at all, excepting the small amounts for its clerical expenses. It would simply serve as an important link in the safeguarding process for each of its members and for the Landschaft as a whole.

NO BANKING, NO HANDLING OF MONEY.

Under this system the task of each member of the Landschaft and the task of its Board of Directors would be normal and simple, and easily performed by the average farmer. If he should err under this system it would not be because he did not know ; it would either be through natural stupidity, or because he intentionally ignored what he knew. He would



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not be given the task of handling large sums of money, nor even small sums, excepting it be the minor amounts for the expense of the clerical work of the Landschaft. Nor would this Landschaft require of him a knowledge of high finance. He would only need to perform the simple routine duties assigned him by the Landschaft system; yet, for all that, these simple duties would do wonders for him. Through them the Landschaft would take him by the hand on the lowest rung of the financial ladder and lead him upward until he reached the summit in safety.

« But », says the objector, « what is the good of this system? Why should Johnson or Thompson join an association and give a mortgage on their lands to a Federal Commission, when Johnson or Thompson may not require money on the mortgage for years to come? »

And the answer to this is clear. Without the security afforded by such mortgages there could be no Landschaft, and Johnson and Thompson would stand on the lowest rung of the financial ladder. With the security of such mortgages, and of the mortgages of the other members of the Landschaft, held in trust by the Federal Commission, Johnson and Thompson would be placed on the top rung of the financial ladder.

NO INTEREST ON MORTGAGES HELD IN TRUST.

« But why should Johnson and Thompson pay interest on mortgages for years when all those years they may not need borrowed money? »

And again the answer is clear. Johnson and Thompson would not pay interest on their mortgages held in trust by the Federal Commission; they would only pay interest on the actual loans they would be authorised by the Federal Commission to make, and only from the date the loan is made up to the date when it is discharged.

« But where is the collective fund which will permit of collective distribution? »

There is no such fund as far as the Landschaft is concerned. The Landschaft makes a distinct differentiation between actual and speculative values. It eliminates speculative values by eliminating methods which involve speculation. In its operation the Landschaft, therefore, involves no business functions other than those safe and simple routines which go to ensure its reach up to the highest level of the financial domain.

When once that financial level is reached, it will then be easily within the power of the members of a Landschaft to form, extraneously, and outside of the Landschaft, a new organisation for the purpose of collective purchase and collective distribution.

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